



*United States Attorney
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**FORMER DORAL SENIOR EXECUTIVE SENTENCED
IN MANHATTAN FEDERAL COURT TO 60 MONTHS IN PRISON
FOR SECURITIES FRAUD SCHEME THAT CAUSED
APPROXIMATELY \$4 BILLION DECLINE IN SHAREHOLDER VALUE**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that MARIO S. LEVIS, a/k/a "Sammy Levis," was sentenced today to 60 months in prison by U.S. District Judge THOMAS P. GRIESA. After a five-week jury trial in March and April 2010, LEVIS was found guilty on securities and wire fraud charges for his role in a scheme to defraud investors and potential investors in the stock of Puerto Rico-based Doral Financial Corporation ("Doral"), which took place while LEVIS was the Treasurer and Senior Executive Vice President of Doral. The scheme, occurring between 2001 and 2005, involved misrepresentations that LEVIS made regarding certain core assets of Doral. An aggregate decline in shareholder value of approximately \$4 billion followed the unraveling of the scheme.

Manhattan U.S. Attorney PREET BHARARA stated: "Senior executives of publicly traded companies like Mario Levis who victimize investors and damage public confidence in our financial markets through misrepresentations and outright lies will pay a big price for their actions. This Office, working with the SEC and the FBI, will continue to police market participants to ensure that the playing field is level, that insiders do not take advantage of their positions of trust, and that investors have access to the truthful and accurate information to which they are entitled."

According to the Superseding Indictment, the evidence presented at trial, and statements made at the sentencing proceeding:

Doral, with mortgage banking operations in Puerto Rico and New York City, was a leading residential mortgage lender in Puerto Rico. Between 2001 and 2005, LEVIS corrupted the process

by which Doral determined the publicly reported value of certain non-cash assets carried on Doral's financial books called "interest-only strips" ("IOs"). Doral represented to the public in its annual financial statements that the aggregate value of its IOs, and company earnings associated with those IOs, were increasing substantially year after year. By the beginning of 2005, Doral publicly announced a streak of 28 quarters of "record earnings" based in significant part on the stated value of its IOs.

During the same time, Doral's stock price steadily increased from approximately \$10 per share in early 2000 to almost \$50 at the end of 2004. Also during this time frame, LEVIS and other members of his family were substantial holders of Doral securities. Between 2001 and 2004, the value of LEVIS's stock in Doral tripled to over \$60 million.

In its public filings with the U.S. Securities and Exchange Commission ("SEC"), Doral represented that the value of its IOs was based, in part, on two "outside" and "independent" expert valuations provided to Doral on a quarterly basis. According to Doral's filings with the SEC and representations by LEVIS to investors, these outside independent valuers were performing the valuation using their own economic and portfolio assumptions.

In truth and in fact, however, LEVIS corrupted those valuations. For example, the valuation provided by a Morgan Stanley trader involved the trader merely recopying numbers provided by LEVIS without any other work whatsoever, and then subsequent attempts by LEVIS to conceal that fact from Doral's auditors and lawyers. The other valuation from Popular Securities ("Popular") involved LEVIS dictating key assumptions for Popular to use in performing its valuation analysis. In both cases, LEVIS failed to inform the valuers that Doral was treating their valuations as independent or citing their work in Doral's SEC filings.

LEVIS also materially misrepresented to the investing public - in direct communications with investors, investor representatives, and market analysts - certain specific characteristics of the Doral IO portfolio. Specifically, among other things, LEVIS falsely claimed that Doral's loan-sale agreements contained a provision called "caps," which would purportedly function to prevent substantial write-downs of the IOs if interest rates continued to rise.

Beginning in mid-January 2005, when Doral announced an approximate \$97.5 million write-down of the stated value of its IOs attributed to rising interest rates, and LEVIS' scheme concerning the IO valuations began to unravel, the market price of Doral's common stock began to drop steadily from its high of almost \$50 per share. By the time LEVIS resigned from Doral in late August 2005, the price of Doral's shares had fallen more than 70 percent to approximately \$14.13 per share. In total, the company's shareholders had suffered an aggregate decline in shareholder value of approximately \$4 billion.

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After trial, LEVIS was found guilty of one count of securities fraud and two counts of wire fraud. In addition to the prison term imposed today, Judge GRISEA ordered LEVIS to forfeit the proceeds of his crimes and further ordered him to pay restitution, the amount of which will be determined within 90 days.

Mr. BHARARA praised the work of the Federal Bureau of Investigation. He also thanked the SEC for its assistance in the case.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The case is being prosecuted by the Securities and Commodities Fraud Task Force of the U.S. Attorney's Office. Assistant U.S. Attorneys MARC LITT and DAVID I. MILLER, along with Special Assistant U.S. Attorney JASON M. ANTHONY, are in charge of the prosecution.

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